2007

Capital Pension Plan

Capital Pension Plan
Annual Report

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Financial Statements

Mission

We are a professionally managed, service oriented defined contribution pension plan committed to helping our members build and manage their retirement savings.

Vision

To be the preferred pension plan for members and employers.

Values

The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.

Message from the Chair

As Chair of the Pension Board, it is my great pleasure to present the Annual Report and audited Financial Statements for the fiscal year ending December 31, 2007.

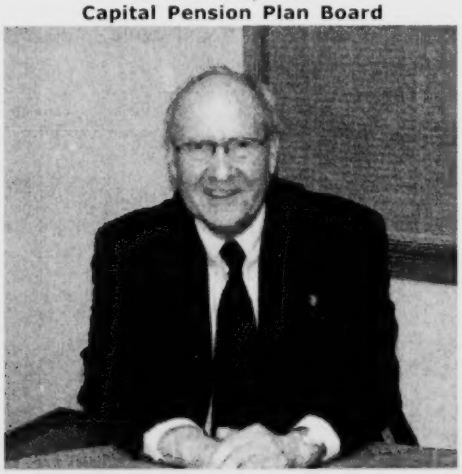
For 2007, the Diversified Fund achieved a return of 3.09%. Capital's Pre-Retirement Fund earned a return of 4.12%. These returns are net of all fees and expenses.

The Capital Pension Plan had many achievements during 2007. In our ongoing commitment to achieving our vision, the Pension Board is excited about the introduction of the Variable Benefit pension option which is a significant enhancement to the Plan. As a result of legislative changes made in Saskatchewan, Plan members within the Saskatchewan jurisdiction may now choose to remain with the Plan during their retirement years, while receiving flexible pension income. This will also benefit all members by retaining equity to help maintain the Plan's very reasonable management expense ratios (MERs). The Pension Board is also pleased with the launch of the Capital Member*WEB* in 2007. Plan members now have secure, convenient access to their individual account information.

On a personal note, I tendered my resignation from the Capital Pension Plan Board effective December 31, 2007 to pursue my new vision as a retiree.

I wish to thank my fellow Board members for their service to the Capital Pension Plan during 2007 and for their friendship as we served the Plan's membership together. I also wish to thank the Capital Pension Plan administration staff for their hard work and dedication to the Plan. The Pension Board and Plan administration remain committed to making Capital Pension Plan the preferred plan for members and employers in 2008.

Don Axtell, Chair
Capital Pension Plan Board



Highlights

Overview

2007 was an eventful year for the Capital Pension Plan. Worldwide equity markets were volatile throughout the year. Canadian equity market performance was strong overall, posting a return of 9.83%. The strengthening Canadian dollar impacted returns of global markets, with both the S&P 500 Index and the MSCI EAFE Index ending the year in negative territory when converted to Canadian dollars. The S&P500 Index posted a return of -10.53% ($C), while the MSCI EAFE Index ended the year at -5.75% ($C).

Fixed income investment returns were mixed for the year. Interest rates decreased overall in Canada due to anticipated collateral impacts from the U.S. sub-prime issues and the high Canadian dollar. The DEX Universe Bond Index ended the year with a return of 3.68%. Real estate performance remained strong, with the IPD Index posting a year-end return of 10.55%. Short-term investments, as measured by the 91-day T-bill Index provided a solid return of 4.43% for 2007.

As a result, Capital's Diversified Fund posted a return of 3.09% after expenses for 2007. Although this return falls short of the Fund's double-digit performance earned in 2006, the Fund's total return and the returns earned by several investment classes exceeded benchmark performance.

Capital's Pre-Retirement Fund ended 2007 with a return of 4.12% after expenses, which is consistent with its benchmark. With a focus on capital preservation and restricted investment portfolio of 91-day t-bills, equity market volatility did not directly impact the Pre-Retirement Fund.

In 2007, the Plan made application to the Court for direction in the distribution of approximately $6.6 million in reserve funds accumulated in the Retirement Annuity Fund. In December, information packages were prepared to be sent early in the new year to the last known address of all current and former members that could potentially be eligible to participate in this distribution. Proceedings will continue in 2008.

New communication initiatives were introduced in 2007. In the spring, Retirement Primer Information sessions were conducted in Yorkton, Swift Current, North Battleford, Saskatoon, Moose Jaw and Regina Additional sessions were conducted throughout the year at the request of employers. In June, the Capital Member*WEB* was launched, providing all members with secure, convenient access to information about their individual Capital Pension Plan account.

The Plan continued refining its governance and accountability policies and procedures. Quantitative performance indicators were developed to better assess attainment of performance goals and objectives.

Throughout the year, the Plan worked hard to meet the needs of Plan members and participating employers through quality service, timely information and sound administration.

Highlights

Achievements

Capital Variable Benefit

In May, the Capital Pension Plan introduced the Variable Benefit pension income option. Members within the Saskatchewan jurisdiction now have the option to remain with the Plan during retirement, as permitted by Saskatchewan pension legislation.

Many provisions of the Variable Benefit parallel the Prescribed Registered Retirement Income Fund (P-RRIF) option available from financial institutions. Variable Benefit members enjoy the flexibility to decide how much income they wish to receive (within federal guidelines) and to periodically change their income amounts to meet changing needs or cover unexpected expenses.

Former Capital Pension Plan members within the Saskatchewan jurisdiction also have the option to transfer equity back to the Plan to receive pension income through the Variable Benefit.

By year end, 52 members were participating in the Capital Variable Benefit.

Capital Member*WEB*

In June, the Plan launched its much anticipated member website. The Capital Member*WEB* provides members with secure, convenient access to their individual pension account information via the internet. More than 1,200 members have registered to access their personalized pension information through the Capital Member*WEB*.

Retirement Primer Information Sessions

In May and June, Retirement Primer Information sessions were conducted throughout the province, providing information to Plan members about preparing for retirement.

Performance Index Tools

During 2007, the Plan continued refining its plan governance initiatives, including the development of Pension Board and Plan Administration Performance Index tools.

Highlights

Financial Highlights

Defined Contribution Fund

Participating employers and contributing members make required contributions to the Capital Pension Plan. These contributions are deposited to the Plan's Defined Contribution Fund. Within the Defined Contribution Fund, the Plan operates two investment funds -- the Diversified Fund and the Pre-Retirement Fund. Investment of the assets in the Defined Contribution Fund is delegated to professional investment managers under the supervision of the Pension Board. The market value of the assets in the Defined Contribution Fund at December 31, 2007 was $919 million.

The Plan operates on a cost recovery basis. Actual expenses are deducted from the Plan's earnings prior to the allocation of investment returns to individual member's accounts.

A management expense ratio (MER) is calculated for each investment fund for comparison and communication purposes. For 2007, the MER for the Diversified Fund was 0.43% (0.36% in 2006). The MER for the Pre-Retirement Fund was 0.24% (0.29% in 2006). The increase in the MER for the Diversified Fund can be attributed to increases in investment management fees and general administration expenses. The decrease in MER for the Pre-Retirement Fund can be attributed to costs remaining relatively constant while the value of the Fund increased during the year.

Defined Contribution Fund Net Assets Available for Benefits (December 31)

(C$, thousands)	**2007**	2006	2005	2004	2003
Increase in Assets					
Employer Required Contributions	**14,134**	12,906	12,025	11,116	10,725
Member Required Contributions	**12,011**	10,790	10,065	9,262	8,938
Member Voluntary Contributions	**1,645**	1,062	962	877	809
Transfers into the Fund	**5,571**	3,075	7,164	3,396	4,129
Investment Income	**95,619**	67,405	54,460	64,001	25,318
Net unrealized gain/(loss) in market value	**(64,064)**	40,150	23,248	10,857	56,186
Decrease in Assets					
Investment Management/Custodian fees	**2,682**	2,240	1,881	1,462	1,254
Salaries & Benefits	**634**	492	454	426	412
Other	**655**	579	513	374	380
Withdrawals/Transfers Out	**37,939**	50,449	36,669	32,806	25,802
Net Assets Available for Benefits	**919,576**	**896,570**	**814,942**	**746,535**	**682,094**

Highlights

Financial Highlights

Defined Contribution Fund Historic Performance (December 31)

	2007		2006		2005		2004		2003	
	Fund	**Benchmark**	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Diversified Fund	**3.09%***	**2.2%**	13.64%*	12.8%	9.62%*	10.3%	10.85%*	9.7%	13.73%*	13.2%
Pre-Retirement Fund	**4.12%***	**4.4%**	3.53%*	4.0%	2.39%*	2.6%	2.12%*	2.3%	2.81%*	2.9%

*Diversified Fund and Pre-Retirement Fund returns are net of all expenses.

Defined Contribution Fund Compound Returns (December 31)

	1 year	**2 years**	**3 years**	**5 years**	**10 years**
Diversified Fund	**3.09%**	8.23%	8.69%	10.12%	8.11%
Pre-Retirement Fund	**4.12%**	3.82%	3.35%	2.99%	4.25%

Defined Contribution Fund Administration Expenses (December 31)

($C thousands)	Diversified Fund					Pre-Retirement Fund					Total				
	2007	2006	2005	2004	2003	**2007**	2006	2005	2004	2003	**2007**	2006	2005	2004	2003
Investment Management Fees	**2,550**	2,130	1,774	1,358	1,170	**6**	5	5	6	14	**2,556**	2,135	1,779	1,364	1,184
Custodial Service Fees	**123**	102	99	95	66	**3**	3	3	3	4	**126**	105	102	98	70
Investment Performance & Consultant Fees	**82**	81	79	70	64	**1**	1	1	1	1	**83**	82	80	71	65
Auditor's Fees	**32**	17	16	14	13	**2**	2	2	2	2	**34**	19	18	16	15
General Administration	**1,164**	962	858	703	693	**8**	8	11	10	19	**1,172**	970	869	713	712
Total	**3,951**	3,292	2,826	2,240	2,006	**20**	19	22	22	40	**3,971**	3,311	2,848	2,262	2,046
Management Expense Ratio (MER)	**0.43%**	0.36%	0.32%	0.32%	0.34%	**0.24%**	0.29%	0.33%	0.32%	0.34%	**0.43%**	0.37%	0.35%	0.30%	0.33%

Highlights

Financial Highlights

The Retirement Annuity Fund

The Retirement Annuity Fund (RAF) was established to provide lifetime retirement annuities to Plan members. If a member elects to purchase a life annuity from the RAF, the member's account balance is transferred from the Defined Contribution Fund (the Diversified Fund and/or the Pre-Retirement Fund) to the RAF and an annuity contract is established based on the current interest rate and group annuity mortality tables. The contract provides for guaranteed lifetime income.

Neither a rate of return nor a management expense ratio (MER) is calculated for the Retirement Annuity Fund. Rather, the RAF is managed to ensure the annuity promise is fulfilled.

Retirement Annuity Fund Statement of Operations and Fund Equity (Market Value) (December 31)

(C$, thousands)	**2007**	2006*	2005*	2004*	2003*
Increase in Assets					
Transfers from Contributory Fund upon members' retirement	**316**	1,521	2,003	1,596	2,300
Investment income	**2,087**	2,438	1,848	1,515	1,481
Gain (Loss) on sale of investments	**3,677**	58	37	1,152	(54)
Net Unrealized Gains/(Losses)	**(3,578)**	415	2,796	783	1,796
	2,502	4,432	6,684	5,046	5,523
Decrease in Assets					
Annuity payments	**2,265**	2,160	2,050	2,005	1,971
Operating expenses	**127**	147	141	57	161
Increase (Decrease) in provision for annuity benefits	**(2,649)**	462	3,094	609	1,645
Settlement of claim	**--**	--	--	8	1,158
Provision for payment to members of the Fund	**283**	480	6,135	--	--
	26	3,249	11,420	2,679	4,935
Change in Net Assets	**2,476**	1,183	(4,736)	2,367	588
Net Assets Available (beginning of year)	**8,812**	7,629	12,365	9,998	9,410
Net Assets Available, end of year	**11,288**	**8,812**	**7,629**	**12,365**	**9,998**

*restated at market value

Financial Highlights

Retirement Annuity Fund Administration Expenses
(December 31)

($C thousands)	Retirement Annuity Fund				
	2007	2006	2005	2004	2003
Investment Management Fees	**36**	38	35	32	29
Custodial Service Fees	**4**	4	4	5	5
Investment Performance & Consultant Fees	**3**	3	3	3	3
Actuarial Services	**17**	16	11	11	11
Auditor's Fees	**7**	6	6	6	6
General Administration	**60**	80	82	0*	107
Total	**127**	147	141	57	161

* For 2004, actual expenses for General Administration were $74,000 (rounded to the nearest thousand) These expenses were offset by a $74,000 reimbursement of legal fees received that year.

Governance and Administration

Plan Overview

The Capital Pension Plan was established in 1976 as a defined contribution (money purchase) pension plan.

The Plan sponsor is Crown Investments Corporation of Saskatchewan (CIC). Overall direction is provided by the Pension Board. The Plan sponsor appoints representatives to the Pension Board from the Plan's participating employers.

The Capital Pension Plan can consider the membership of any employer interested in participating in the Plan. In order to participate in the Plan, the employer must adopt the Plan by resolution of its Board of Directors. Participating employers can determine the eligibility criteria for their employees to become contributing members of the Plan pursuant to relevant legislative and regulatory requirements.

Both participating employers and contributing members make required contributions to the Plan. Contributing members make required contributions based on a percentage of their individual earnings. Participating employers are required to make a contribution on behalf of each of their contributing members in an amount that is at least equal to the member's required contribution unless a higher rate of contribution has been established by resolution.

Contributing members may choose to make additional voluntary contributions to the Plan. Participating employers are not required to make contributions with respect to such voluntary contributions.

All member and employer contributions made on behalf of a member are directed to an individual account in the member's name and are subject to the annual maximum contribution limit established in the *Income Tax Act (Canada)*.

At retirement, members use the cumulative value in their account to provide pension income through various pension income vehicles as permitted in each jurisdiction (provincial or Federal).

The pension income vehicles available to a Plan member depends on which jurisdiction the member was employed when he/she made the last contribution to the pension plan.

Plan members from all jurisdictions have the option to receive pension income through the purchase of a life annuity from the Capital Pension Plan's Retirement Annuity Fund.

Beginning in May 2007, Plan members within the Saskatchewan jurisdiction have the option to receive pension income directly from their Plan account through the Variable Benefit pension income option.

Governance and Administration

Governance Structure

Governance System and Processes

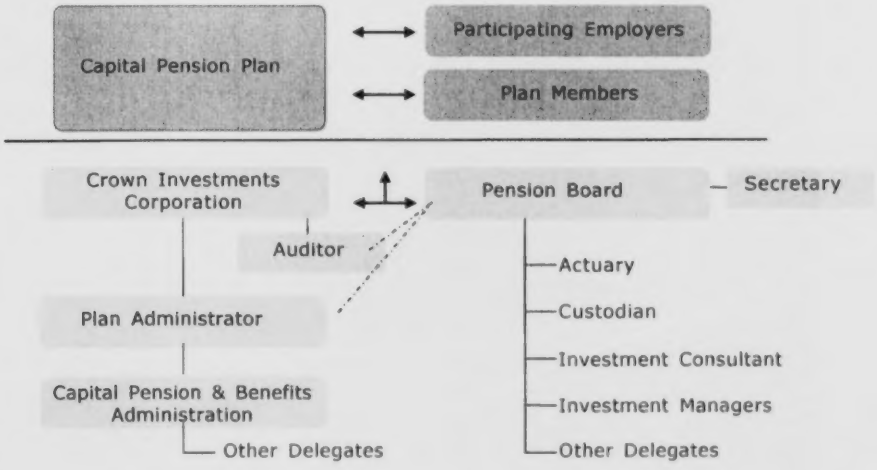
The Plan has implemented a comprehensive governance system and processes that incorporates many long standing policies, procedures, practices and accountabilities.

The governance system includes:

- performance goals that embody the Plan's mission, vision and values;
- documented roles and responsibilities for the Plan Administrator, the Pension Board and Pension Board Committees, the Investment Consultant, Investment Managers, the Custodian, the Actuary and other delegates;
- assessment of the Plan's key risk factors and documented methods for managing risk;
- incorporation of the Plan's Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies;
- documented communication policies that support the Plan's Mission, Vision and Values; and
- documented performance measures and a 3-year strategic business plan including strategic initiatives to accomplish the performance objectives and achieve the Plan's performance goals.

The governance system and processes are outlined in a governance manual. The manual is reviewed annually to ensure policies, procedures and accountabilities remain current.

Capital Pension Plan Governance Structure
(December 31)



Governance and Administration

Governance Structure

Pension Board Membership

Don Axtell
Crown Investments Corporation

Micheal McPherson
Saskatchewan Housing Authorities

Robert Wiebe
Saskatchewan Watershed Authority

David Olsen
ISM Canada

Cindy Ogilvie
Crown Investments Corporation

Ken Dishaw
Saskferco Products Inc.

Twyla Meredith
Saskatchewan Gaming Corporation

Ron Walter
Saskatchewan Abilities Council

Edward Helm
Saskatchewan Government Insurance

Tim MacLeod
Saskatchewan Government Insurance

Pension Board Committees

Governance
Micheal McPherson (Chair)
Robert Wiebe
Ron Walter

Investment
David Olsen (Chair)
Ken Dishaw
Tim MacLeod

Audit
Cindy Ogilvie (Chair)
Twyla Meredith
Edward Helm

Pension Board Membership (December 31)

back row (left to right) David Olsen, Ken Dishaw, Micheal McPherson, Tim MacLeod, Ron Walter
front row (left to right) Cindy Ogilvie, Don Axtell, Robert Wiebe, Twyla Meredith
(missing Edward Helm)

Governance and Administration

Governance Structure

The Plan Sponsor

Crown Investments Corporation (CIC) is the Plan sponsor and administrator. CIC is responsible for the overall management, administration and operation of the Plan in accordance with applicable laws, the terms and conditions of the Plan and its governance structure and processes. CIC is responsible to hold the plan's funds in trust for the benefit of its members and any other person entitled to benefits pursuant to the Plan.

CIC appoints the Pension Board to act on its behalf to facilitate the operation of the Plan. While CIC delegates responsibility for certain duties to the Pension Board, it retains the responsibility to monitor the performance of any party to whom it delegates.

The Pension Board

The Capital Pension Plan Board composition is between five and ten persons, nominated by the participating employers in the Plan. All Board members must be active members of the Plan.

Board members must possess characteristics and traits of integrity, accountability, informed judgement, financial literacy, mature confidence and commitment. Serving on the Capital Pension Plan Board is strictly voluntary. Board members are not paid. Compensation is restricted to payment or reimbursement of actual costs and reasonable expenses for attending to Board business.

Pension Board Committees

To effectively manage Board time while ensuring issues or decisions are thoroughly discussed, the Pension Board establishes committees to assist in carrying out its roles and responsibilities.

Currently, the Board has appointed a Governance Committee, an Investment Committee and an Audit Committee. Each Committee comprises of three current pension board members. The Chair of the Pension Board serves as an ex-officio member of each Committee.

Specific terms of reference have been established for each committee and are documented in the Governance Manual. The role of the Committees is to review and discuss information presented, ask questions, obtain clarifications and gain an understanding of each issue or decision required. At the regular Board meetings, Committee members facilitate informed discussion and can make recommendations regarding a course of action. The Committees have no authority to make binding decisions, nor incur expenses on behalf of the Pension Board unless the Board provides prior approval.

Actuary, Custodian, Investment Consultant, Investment Managers and Other Delegates

The Board acquires expertise by hiring industry professionals such as a custodian, investment consultant, investment managers and actuary. Investment of the Plan's assets is delegated to professional investment managers, under the supervision of the Pension Board.

Governance Structure

Plan Administrator

The Plan Sponsor (CIC) has appointed the Executive Director of its Capital Pension & Benefits Administration (CPBA) division to act as Plan Administrator.

The Plan Administrator looks after the overall management, administration and day to day operation of the Plan in accordance with applicable laws and specified terms and conditions of the Plan.

The Plan Administrator has a responsibility to carry out its duties and responsibilities with honesty and in good faith in the best interest of Plan members and any other person(s) to whom a fiduciary duty is owed.

Each employee is required to adhere to the principles and standards set out in the Plan's Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies.

The Plan administrator makes application for the registration of the Plan and any plan amendments. The Plan administrator is also responsible for ensuring the Plan's administrative procedures and regulations are in compliance with applicable laws and the terms and conditions of the Plan, handling the Plan's day to day administration, providing assistance to the Pension Board as required and making recommendations concerning the Plan's annual budget.

Plan Administration Staff
(December 31)

back row (left to right) **Ken Klein** -- Executive Director, **Brad Hunt** -- Manager, Accounting and Administration, **Cheryl Viala** -- Manager, Communications, Research & Development, **Stan Jones** -- Director, Pensions
seated (left to right) **Arlene Stinson** -- Executive Secretary, **Sharon Strueby** -- Staff Accountant, **Laura Frohlick** -- Staff Accountant (missing **Christine Taylor** -- Manager, Group Benefits)

Plan Capacity

The Capital Pension Plan continues to experience modest annual membership growth. This growth allows the Plan to sustain adequate value to enact its investment policy and maintain the Plan's relatively low management expense ratios (MERs) to help achieve the Plan's goal of strong financial performance.

The Plan is in a position to expand membership and has undertaken several initiatives to enhance the Plan's attractiveness to new participating employers as well as maintain current members beyond termination of employment and into retirement. These initiatives include:

- providing active, contributing members with the option to make additional voluntary contributions to the Plan through payroll deduction, subject to applicable contribution limits (participating employers must also agree to deduct and remit on behalf of the employee);

- expanding flexibility by providing the option for all members to access their voluntary contributions at any time;

- introducing of the Variable Benefit pension income option to provide members the opportunity to remain with the Plan into retirement;

- introducing the Capital Member*WEB* to provide active, inactive and Variable Benefit Plan members with secure, convenient access to their individual account with the Plan.

- providing all vested Plan members with the option to leave their equity with the Plan, even if they have terminated their employment with a participating employer;

- providing all active, inactive and Variable Benefit members with the option to transfer existing RRSPs into their account with the Plan;

- extending the Variable Benefit pension income option to former Plan members as per applicable guidelines.

Plan Membership

The Capital Pension Plan had a total of 8,252 members as of December 31, 2007 (7,826 in 2006). Plan membership includes four groups within the Capital Pension Plan.

Active Members

Active members are those members that are currently employed with a participating employer and on whose behalf regular contributions to the Capital Pension Plan are made. The Plan ended 2007 with a total of 4,714 active members (4,670 in 2006).

Inactive Members

Inactive members are those vested members that are no longer employed with a participating employer, but who choose to leave all or part of their equity with the Plan. At the end of 2007, there were 3,102 inactive members (2,773 in 2006).

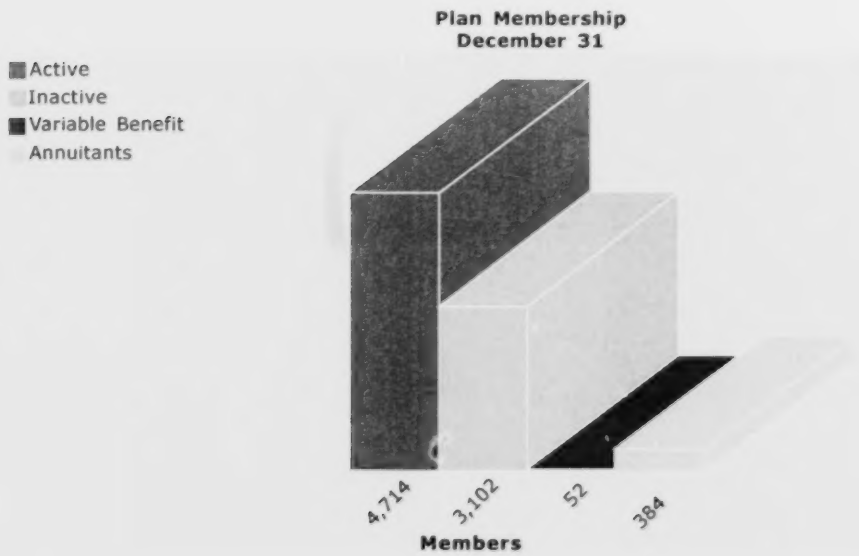
Variable Benefit Members

Variable Benefit members are those members that are eligible for retirement and choose to receive pension income directly from the Plan through the Variable Benefit pension option.

The Variable Benefit option became available in May 2007. A total of 52 members chose to access their pension income through the Variable Benefit option by the end of the year.

Annuitants

Annuitants are those members that chose to receive pension income through a life annuity from the Retirement Annuity Fund. The number of annuitants in the Plan has remained stable, with a total of 384 annuitants in the Plan on December 31, 2007 (383 in 2006).



Membership Demographics

The demographics of the Plan's membership remains relatively young. As such, the investment policy of the Plan's main investment fund (the Diversified Fund) takes this into account and contains a bias towards equity investments.

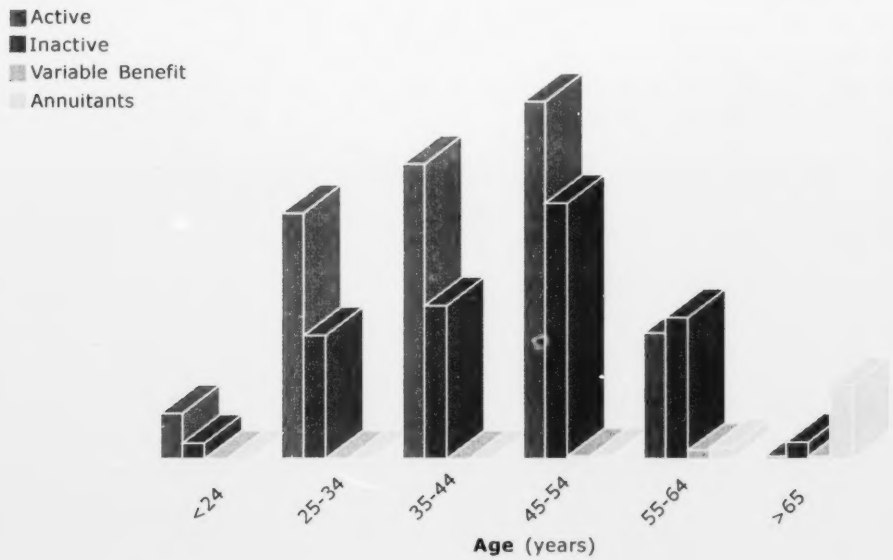
Members' tolerance towards investment risk may decrease as they age. For these members, the Plan offers the Pre-Retirement Fund, which is designed to preserve capital in the short-term. Participation in the Pre-Retirement Fund is restricted to those members within 5 years of their earliest possible retirement date or later.

Membership demographics are monitored annually to ensure the Plan's investment policies remain appropriate.

Membership Demographics (December 31)

	Active	Inactive	Variable Benefit	Annuitants
<24 years	196	64	0	0
25-34 years	1,080	544	0	0
35-44 years	1,298	674	0	0
45-54 years	1,573	1,125	9	11
55-64 years	556	624	35	51
>65 years	11	71	8	322

Membership Demographics (December 31)



Performance Goals

The purpose of the Capital Pension Plan is to provide eligible employees of participating employers with a tax-effective means to accrue savings for retirement and to assist Plan members in making financial provision for their retirement with cost effective administration and timely, clear communications.

To fulfill the Plan's purpose, the Pension Board has established performance goals and objectives along with benchmark performance expectations to measure progress towards the attainment of the goals.

Amendments to Goals

During 2007, the following amendments were made to the Plan's performance goals:

- the performance goal "Accountability" was amended to "Accountability and Plan Governance" to align with the Plan's strategic business plan;
- a performance objective was added to the "Accountability and Plan Governance" goal that outlines that a review and update of the Governance Manual be conducted at least annually.
- performance indicators were documented for each objective outlined for the performance goals to assess progress towards achievement of the goals.

Performance Goals:

Goal 1: Strong Financial Performance

Goal 2: Effective Communication

Goal 3: Accountability and Plan Governance

Goal 4: Quality Service to Members and Employers

Goal 1: Strong Financial Performance

Financial performance of the Plan has a direct impact on members' ability to build their retirement savings pursuant to the Plan's mission and vision. The performance objectives for this goal are documented in the Plan's *Statement of Investment Policies and Goals* (SIP&G) for the Defined Contribution Fund (comprised of the Diversified Fund and Pre-Retirement Fund) and the Retirement Annuity Fund.

The Diversified Fund

The Diversified Fund is the Plan's default investment fund. The investment managers are directed to achieve a satisfactory long-term real rate of return within their mandate consistent with acceptable risks and prudent management. To achieve this long-term goal, the Plan has adopted an asset mix with a bias towards equity investments. Investment risk is controlled by investing in a well diversified portfolio of asset classes and managers (refer to page 40 for a list of investment managers and their mandates).

Comparative Measures

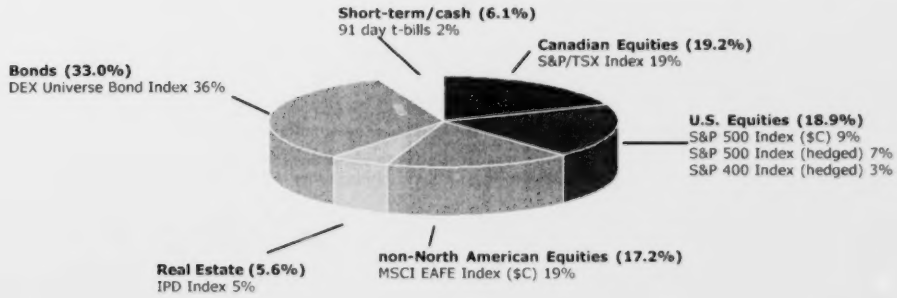
The performance indicators for the Diversified Fund are the respective benchmark returns of the comparative market indices as documented in the *Statement of Investment Policies and Goals* (refer to page 41 for descriptions of the Diversified Fund's comparative market indices).

To further assess performance compared to similar investment managers/funds, the performance quartile is determined. The Hewitt Manager Universe Quartile is a comparative investment measure that assesses in which 25% of a list or universe of funds the actual performance falls.

Diversified Fund Performance Results

Volatile equity markets worldwide impacted the performance of the Diversified Fund in 2007 providing a single digit annual return of 3.09% after expenses. This still exceeded the overall return of the benchmark portfolio by 89 basis points (benchmark portfolio return was 2.2% for 2007).

Diversified Fund Asset Mix, Comparative Market Indices and Benchmark Portfolio Percentages (December 31)



Goal 1: Strong Financial Performance

Canadian equity performance was strong overall, with overall performance exceeding the relevant benchmark in both the one-year and rolling 4-year intervals. Greystone consistently outperformed benchmark returns, while Lincluden's value management style performance lagged the relevant benchmark return in both the 1-year and rolling 4-year intervals.

For U.S. equities, the strength of the Canadian dollar had an impact on the Fund, posting a modestly positive return of 0.3% for the year in Canadian dollars. Although Greystone earned a negative return overall (-2.3%), they outperformed the benchmark performance of -10.5%.

State Street Global Advisors (SSgA) all but matched the benchmark performance for their hedged U.S. Equity Large Cap and Mid Cap holdings (variances are within acceptable tracking error parameters).

Although the Fund's non-North American equity holdings ended 2007 in negative territory, both Greystone and Tweedy Browne outperformed the one-year benchmark. Greystone also outperformed the benchmark on a rolling 4-year basis. Rolling 4-year returns are not available for Tweedy Browne, since their investment mandate with the Fund began less than 4 years ago.

Bond returns fell short of the benchmark for the year, but outperformed the benchmark on a rolling 4-year basis. Greystone fell short on the benchmark for 2007, but outperformed the benchmark on a rolling 4-year basis. SSgA matched the benchmark for 2007, and also outperformed on the rolling 4-year benchmark.

Real estate performance remained strong, with Greystone's performance nearly doubling the benchmark return for 2007, and exceeding the 4-year benchmark as well.

The long-term (i.e. 10-year annualized) return for the Diversified Fund was 8.25%, which exceeded the performance objective of 10-year CPI plus 3%.

Goal 1: Strong Financial Performance

Diversified Fund Financial Performance Results (December 31)

Objective: Earn a rate of return that exceeds the return earned by the benchmark portfolio.
(Performance Indicator: 1-year and rolling 4-year return of benchmark portfolio).

	1-year Return			4-year Return			Results	
	Fund Performance	Indicator Result	Quartile	Fund Performance	Indicator Result	Quartile	2007	2006
Total Fund Performance	3.09%	2.2%	1	9.30%	8.9%	2	**Achieved**	*Achieved*

Objective: Each investment manager to exceed the benchmark index return for their respective asset class.
(Performance Indicator: 1-year and rolling 4-year returns of respective comparative index).

	1-year Return			4-year Return			Results	
	Fund Performance	Indicator Result	Quartile	Fund Performance	Indicator Result	Quartile	2007	2006
Canadian Equities Combined	6.4%	9.8%	3	16.1%	16.3%	3	**Not Achieved**	*Achieved*
Greystone	13.2%	9.8%	1	19.6%	16.3%	1	**Achieved**	*Achieved*
Lincluden	0.6%	9.8%	4	12.2%	16.3%	4	**Not Achieved**	*Not Achieved*
U.S. Equities Combined	0.3%	-10.5%	1	7.8%	2.1%	1	**Achieved**	*Achieved*
Greystone	-2.3%	-10.5%	1	5.6%	2.1%	1	**Achieved**	Achieved
SSgA - Large Cap	3.5%	3.5%	1	n/a*	n/a*	n/a*	**n/a***	*n/a**
SSgA - MidCap	5.7%	5.9%	1	n/a*	n/a*	n/a*	**n/a***	*n/a**
non-North American Equities Combined	-2.8%	-5.7%	2	10.9%	10.0%	2	**Achieved**	*Achieved*
Greystone	-2.1%	-5.7%	1	10.4%	10.0%	2	**Achieved**	*Not Achieved*
Tweedy	-2.4%	-5.7%	2	n/a*	10.0%	n/a*	**n/a***	*n/a**
Bonds - Combined	3.5%	3.7%	M**	5.6%	5.3%	1	**Achieved**	*Achieved*
Greystone	3.3%	3.7%	2	5.7%	5.3%	1	**Achieved**	*Achieved*
SSgA	3.7%	3.7%	2	5.5%	5.3%	1	**Achieved**	*Achieved*
Real Estate - Greystone	22.1%	11.7%	n/a***	21.5%	15.3%	n/a**	**Achieved**	*Achieved*

Objective: Achieve a minimum annualized rate of return that is 3% in excess of the Consumer Price Index (CPI) over the long-term.
(Performance Indicator: 10-year average CPI+ 3%)

	Fund Performance	Benchmark	2007	2006
10-year Annualized Performance	8.25%	5.2%	**Achieved**	*Achieved*

** Note: As of December 31, 2007, 4-year rolling performance could not be evaluated since the mandate began less than 4 years prior.*

***Note: A quartile rating of "M" indicates performance ranked at the median.*
****The Hewitt Manager Universe does not include quartile performance for real estate investments.*

Goal 1: Strong Financial Performance

The Pre-Retirement Fund

The Pension Board recognizes that members' investment risk tolerance may diminish as retirement approaches. The Pre-Retirement Fund is designed to preserve capital in the short-term. The asset mix of the Fund consists solely of short-term (i.e. money market) investments.

Since the Fund is designed for short-term investing, participation in the Pre-Retirement Fund is restricted to members within 5 years of their earliest possible retirement date. Eligible members must actively inform Plan administration of their intent to transfer some or all their equity and/or direct their contributions to the Pre-Retirement Fund (refer to page 40 for information on the Fund's investment manager).

Comparative Measures

The comparative measure for the Pre-Retirement Fund is 91-day T-bills (refer to page 41 for a description of the Pre-Retirement Fund's comparative market index).

Pre-Retirement Fund Performance Results

The Pre-Retirement Fund achieved its performance objectives in 2007, ending the year with a return of 4.12% after all expenses were deducted. By earning a positive return, the Fund met the first performance objective.

The Fund's 1-year and rolling 4-year returns are consistent with its benchmark when expenses are taken into consideration.

Pre-Retirement Fund Financial Performance
(December 31)

Objective: Preserve capital in the short-term. *(Performance Indicator: earn a positive rate of return on a 1-year and rolling 4-year basis).*	Results	
	2007	**2006**
	Achieved	*Achieved*

Objective: Earn a rate of return competitive with money-market investments. *(Performance Indicator: 1-year and rolling 4-year basis return on t-bills).*	**1-year Return**			**4-year Return**			**Results**	
	Fund Performance	**Indicator**	**Quartile**	**Fund Performance**	**Indicator**	**Quartile**	**2007**	**2006**
Total Fund Performance	4.12%	4.4%	n/a**	3.04%	3.32%	n/a**	**Achieved**	*Achieved*

***Note: The Hewitt Manager Universe does not include quartile performance for money-market investments.*

Goal 1: Strong Financial Performance

The Retirement Annuity Fund

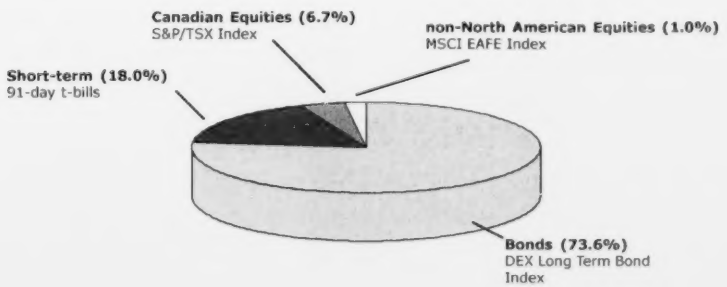
The Retirement Annuity Fund was established to provide lifetime pension annuities to members of the Capital Pension Plan. If a member chooses to receive pension income through the purchase of a life annuity, his/her equity is transferred from the Defined Contribution Fund to the Retirement Annuity Fund.

The Fund is designed to ensure assets are available to pay the annuities promised to annuitants. All annuities are fully funded when purchased. The Plan must ensure that the annuities are appropriately structured and the Fund is managed to ensure the annuity promise is fulfilled. An actuarial valuation is conducted annually to ensure the Fund's objectives are achieved.

The risk tolerance for the Fund is considered low as the Fund cannot tolerate loss of principal. Risk is mitigated through an investment approach utilizing high quality fixed income investments. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments from the portfolio (i.e. duration matching strategy). As such, the Fund is immunized against changes in interest rates.

Assets in excess of those required to implement the duration matching strategy are invested in a well diversified portfolio of Canadian and foreign equities to support the long-term solvency of the Fund (refer to page 40 for information on the Fund's investment manager).

Retirement Annuity Fund Asset Mix and Comparative Market Indices (December 31)



Goal 1: Strong Financial Performance

Comparative Measures

Overall performance of the Retirement Annuity Fund is assessed annually through the actuarial valuation report. Performance of the equities component is assessed based on comparative market indices (refer to page 41 for descriptions of the Retirement Annuity Fund's comparative market indices).

Retirement Annuity Fund Performance Results

In 2007, the Plan implemented the following changes to the calculation of new life annuity contracts established after January 1, 2007:

- utilizing the more recent GAM 94 mortality tables for life expectancy calculations;
- reducing the interest rate used to calculate life annuity benefits from 6% to 5.25% after 15 years; and
- reducing the interest rate reduction for adverse experience from 0.30% to 0.20%.

These changes were necessary to reflect current life expectancy and mortality information as well as bond rate expectations to ensure the long-term solvency of the Fund.

As well, the following actuarial assumptions were amended by the actuary:

- mortality was assumed to be in accordance with the 1994 Uninsured Pensioners (UP94) mortality table, with mortality improvements projected to 2007 (previous valuation assumed mortality improvements projected to 2006);
- a discount rate of 5.3% before consideration of expenses, which is based on the spot yield curve for high quality long-term Canadian Corporate bonds in accordance with CICA Section 3461 (previous valuation used a discount rate of 4.7%);
- an expense assumption equal to 2.5% of market value of assets, derived based on historical expense rate levels incurred by the Retirement Annuity Fund as a percent of market value and the approximate time horizon over which current annuities are expected to be paid (previous valuation assumed all expenses were taken into account by applying an expense loading of 0.6% to the discount rate assumption).

The net result of the Plan policy changes and the changes in assumptions made by the actuary was a decrease in Fund liability from $27,058,000 in 2006 to $24,409,000 in 2007.

Goal 1: Strong Financial Performance

Retirement Annuity Fund Financial Performance Results (December 31)

	Results	
	2007	2006
Objective: To be immune to changes in the level of interest rates. *(Performance Indicator: matching between the duration of the portfolio and the liabilities are to fall between -.5 and +.5 years of the duration target, as per actuarial valuation report).*	**Achieved**	*Achieved*
Objective: To provide sufficient liquidity to ensure payments to annuitants can be made when due. *(Performance Indicator: short-term investment income exceeds payments to annuitants as per actuarial valuation report).*	**Achieved**	*Achieved*
Objective: To ensure long-term fund solvency. *(Performance Indicator: solvency assessed as per actuarial valuation report).*	**Achieved**	*Achieved*

	1-year Return			4-year Return			Results	
	Fund Performance	Indicator	Quartile	Fund Performance	Indicator	Quartile	2007	2006
Canadian Equities	13.1%	9.8%	1	19.6%	16.3%	1	**Achieved**	*Achieved*
Non-North American Equities	-2.6%	-5.9%	2	10.2%	10.0%	2	**Achieved**	*Achieved*

Goal 1: Strong Financial Performance

Extract from the annual Actuarial Valuation for the Retirement Annuity Fund, prepared by AON Consulting as at December 31, 2007.

Section 3: Actuarial Opinion and Representations

Actuarial Opinion

With respect to the Capital Pension & Benefits Administration Retirement Annuity Fund we have prepared an actuarial valuation as at December 31, 2007 for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 3461 of the CICA Handbook. In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation;
- the actuarial cost methods, asset valuation methods and extrapolation methods employed are appropriate; and
- the valuation and extrapolation conform with the requirements of Section 3461 of the CICA Handbook.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

Representations to the Auditor

The following statements are made in connection with the use of the results of our December 31, 2007 actuarial valuation for CICA Section 3461 statement reporting purposes as evidence for the audit of the fund's financial statements as at December 31, 2007 by the external auditors.

- Aon Consulting Inc. has been engaged by Capital Pension & Benefits Administration as the valuation actuary for the Retirement Annuity Fund to prepare an actuarial valuation as at December 31, 2007 for CICA Section 3461 statement reporting purposes and I confirm that the valuation performed at this date is in accordance with the requirements of Section 3461.
- I confirm that I am a Fellow in good standing with the Canadian Institute of Actuaries (CIA).

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(continued)

Goal 1: Strong Financial Performance

Extract from the annual Actuarial Valuation for the Retirement Annuity Fund, prepared by AON Consulting as at December 31, 2007.

Section 3: Actuarial Opinion and Representations

- I confirm that I have no interest or relationship with the plan or the plan's sponsor that would impair the objectivity of the work prepared in respect of this engagement.
- The plan is a defined benefit plan as defined by Section 3461 of the CICA Handbook.
- I confirm that the December 31, 2007 actuarial valuation has been performed in accordance with the standards of the Canadian Institute of Actuaries.
- I confirm that the December 31, 2007 actuarial valuation has been performed using a discount rate assumption determined in accordance with Section 3461 and all other assumptions in accordance with management's best estimate as described in Appendix C. A statement of my opinion on these assumptions in accordance with CIA standards is contained above under *Actuarial Opinion*. The actuarial assumptions were developed based on input from Aon.
- In preparing the December 31, 2007 actuarial valuation, I have adopted a materiality guideline that is no greater than $150,000.
- I have performed procedures to satisfy myself of the accuracy and completeness of the source data in light of the specified level of materiality.
- I have relied upon Capital Pension & Benefits Administration to advise me of any plan changes and events that have occurred up to the date of this report. Based on discussions with them, I confirm that I am not aware of any events occurring subsequent to December 31, 2007 and prior to the date of this report that would have a material effect on the valuation results.
- I confirm that I am aware that Capital Pension & Benefits Administration's external auditors are KPMG LLP and that they intend to use the work summarized in this report as audit evidence.

Donald L. Ireland
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

January 31, 2008

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AON

Goal 2: Effective Communication

The Capital Pension Plan is committed to open, effective communication practices. The Plan produces communication material in various formats to help meet differing needs of Plan members and participating employers.

Communication with Plan members and participating employers is conducted by the Plan's administration staff. Employers may also provide communication to their employees as required. Care is taken to ensure appropriate and accurate information is provided.

Communication Policy

The Plan utilized information gathered from comprehensive surveys of participating employers and Plan members in the development of the communication policy. The policy establishes the parameters of the Plan's communication practices that:

- support the Plan's mission, vision and values;
- are in accordance with industry best practices;
- strive to meet the needs of Plan members and participating employers; and
- do not negatively impact Plan liability.

The policy outlines guidelines regarding the preparation and distribution of specific communication materials utilized by the Plan, such as intended audience, anticipated/intended use, production guidelines, distribution guidelines and distribution frequency.

Plan Member Communication

Plan member communication initiatives are designed to:

- inform members about the role of the Capital Pension Plan within their retirement plans;
- enhance member knowledge about Plan provisions and relevant legislation;
- promote understanding regarding retirement preparation; and
- provide appropriate information and tools to facilitate member decisions.

Participating Employer Communication

Participating employer communication initiatives are designed to:

- enhance employer knowledge;
- inform employer staff of any changes regarding Plan provisions, relevant legislation or administrative practices; and
- facilitate pension related employee communication and administration at the employer level.

The performance indicators for this goal are documented in the Plan's Governance Manual. In many instances, the indicators are incorporated directly into administrative practices to ensure the objectives are achieved.

Goal 2: Effective Communication

Effective Communication Performance Results

The Capital Pension Plan demonstrated its commitment to effective communication throughout 2007 by meeting the performance objectives as outlined. In addition, several new communication initiatives were introduced.

Retirement Primer Information Sessions
A province-wide rollout of the Capital Pension Plan Retirement Primer information sessions was conducted in the spring. The sessions provided information about the Plan's retirement options, basic information about the Canada Pension Plan and Old Age Security program as well as the fundamentals about how to project retirement income needs and assess current preparedness for retirement.

Capital Member*WEB*
In June, the Capital Member*WEB* was launched. This is a secure web application whereby Plan members can access current information about their individual Plan account.

Web-based Calculators
Various web-based calculators, including a Retirement Savings calculator, a Variable Benefit/RRIF calculator and a Retirement Planner were added to the Plan's website.

Member Survey
To further assess the effectiveness of its communication policy, the Plan conducted a comprehensive member survey in late 2007. A copy of the survey was mailed to each current member of the Plan, along with a business reply envelope for convenience. Plan members also had the opportunity to complete the survey on-line at a specified web address.

The survey assessed member satisfaction with the Plan's current communication initiatives and gathered comments and suggestions. Results from the survey will be compiled in 2008 and used during the review of the Plan's communication policy.

Goal 2: Effective Communication

Plan Members Effective Communication Results (December 31)

Objective: Provide ongoing information about investment performance, legislative updates and provision changes at regular intervals.	Plan Performance	Indicator	Results	
			2007	2006
unit value changes posted to website	1 day	1 day	**Achieved**	*Achieved*
quarterly compound returns posted to website	1 week	1 week	**Achieved**	*Achieved*
newsletter published and mailed	4 issues	3 issues	**Achieved**	*Achieved*
Provide annual statement	January 19	March 16	**Achieved**	*Achieved*
Provide "Welcome letter" and "Plan Summary " booklet	14 days	30 days	**Achieved**	*Achieved*

Participating Employers Effective Communication Results (December 31)

Objective: Provide ongoing information regarding legislative updates, changes to Plan provisions, operational and administrative practices prior to providing the same information to Plan members.	Plan Performance	Indicator	Results	
			2007	2006
mail Employer Update Bulletin prior to each issue of *the Capital Report*.	5 days	5 days	**Achieved**	*Achieved*
Employer Update Bulletin for provisional/legislative changes	30 days	30 days	**Achieved**	*Achieved*
distribute updates to Employer Administration Guide with provisional/legislative changes.	30 days	30 days	**Achieved**	*Achieved*

Goal 3: Accountability and Plan Governance

Effective Plan management requires a strong focus on accountability. The Pension Board has established several policies pertaining to plan governance and accountability:

- the *Statement of Investment Policies and Goals*, that provides for ongoing compliance reporting by investment managers;
- a *Code of Conduct* is established for the Pension Board and Plan Administration Staff;
- a *Conflict of Interest Policy* is established for the Pension Board, Plan Administration staff and service providers (where applicable);
- a *Protection of Confidential Information and Privacy Policy* is established regarding the handling of confidential information by Plan administration staff and service providers (where applicable).

Accountability and Plan Governance Performance Results

During 2007, the Capital Pension Plan continued to develop and refine its governance initiatives, including:

- further development of the Plan Activity checklist;
- refinement of the performance objectives to include quantifiable performance indicators to better assess attainment of goals;
- the development of the Pension Board and Plan Administration performance indexes; and
- refined and updated terms of reference for each Pension Board committee.

Goal 3: Accountability and Plan Governance

Accountability and Plan Governance Performance Results (December 31)

Objective: Ongoing compliance with Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies by:	Plan Performance	Indicator	Results	
			2007	2006
Board Members	Compliance	Compliance	**Achieved**	*Achieved*
Plan administration staff	Compliance	Compliance	**Achieved**	*Achieved*
Service providers (where applicable)	Compliance	Compliance	**Achieved**	*Achieved*

Objective: Monitor ongoing compliance with established investment policies by investment managers:	Plan Performance	Indicator	Results	
			2007	2006
Greystone	Compliance	Compliance	**Achieved**	*Achieved*
Lincluden	Compliance	Compliance	**Achieved**	*Achieved*
SSgA	Compliance	Compliance	**Achieved**	*Achieved*
Tweedy	Compliance	Compliance	**Achieved**	*Achieved*

Objective: Review and update Governance Manual.	Plan Performance	Indicator	Results	
			2007	2006
Manual reviewed and updated as required.	Current	Current	**Achieved**	*Achieved*

Goal 4: Quality Service to Members and Employers

The Plan is committed to providing quality service to members and participating employers. A culture of "members first" is established within the Capital Pension Plan administration.

Plan administration and the Pension Board recognize that the Capital Pension Plan is a key element in its members' overall financial security in retirement and is an important component in an employer's human resource strategies.

The Pension Board recognizes the changes taking place within the workforce and the employers' need to respond to these changes in innovative ways. Accordingly, the Pension Board and Plan Administrator are committed to ensuring plan design and delivery policies are sufficiently responsive to evolving human resource policies.

Quality Service to Members and Employers Performance Results

During 2007, the Capital Pension Plan strived to meet the changing needs of Plan members and participating employers through good governance and new initiatives.

Refinement of Performance Indicators
The Plan refined its governance practices by developing quantitative indicators to better assess the attainment of performance goals and objectives.

Development of Performance Indexes
During 2007, a Pension Board and Plan Administration Performance Index was developed. These tools will be used to assess progress of the Pension Board and Plan Administrator in accomplishing the Plan's goals, objectives and strategic business plan initiatives.

Introduction of the Variable Benefit
In May, the Plan introduced the Variable Benefit pension income option to Plan members within the Saskatchewan jurisdiction. Plan members now have the option to remain with the Plan during retirement.

Capital Member*WEB*
In June, the Plan launched the Capital Member*WEB* application whereby Plan members have secure, convenient access to information about their Capital Pension Plan account.

Quality Service to Members and Employers Performance Results (December 31)

	Plan Performance	Indicator	Results	
			2007	2006
Distributing annual statement	January 19	March 16	**Achieved**	*Achieved*
Posting weekly unit values to website	1 day	1 day	**Achieved**	*Achieved*
Processing termination benefits	7 days	14 days	**Achieved**	*Achieved*
Providing statement on retirement	7 days	30 days	**Achieved**	*Achieved*
Processing pension estimates	7 days	14 days	**Achieved**	*Achieved*
Processing marriage breakdown calculations	7 days	14 days	**Achieved**	*Achieved*
Responding to written correspondence	14 days	14 days	**Achieved**	*Achieved*
Responding to telephone and email inquiries	1 day	1 day	**Achieved**	*Achieved*

Risk Assessment and Management

Within its mandate, the Pension Board and Plan Administrator evaluates and manages risk that would negatively impact the operation of the pension plan, the Plan's members and other stakeholders.

Through its strategic planning and risk management processes, the Pension Board and Plan Administrator identify and evaluate such risks and ensure appropriate strategies are in place.

The risk management strategy includes:

- reviewing the risk management performance for the previous year and the progress made with respect to annual risk management goals;
- identifying and assessing the impact and probability of key plan risks; and
- establishing risk management strategies for the upcoming year and identifying any specific goals for the year.

Risk Assessment and Management Performance Results (December 31)

Financial		
Risk	**Management Strategies**	**Results**
Inadequate performance of assets.	Annual review of SIP&G.	**Achieved**
	Communicate investment performance to Plan members.	**Achieved**
	Independent monitoring.	**Achieved**
	Reporting investment performance compared to benchmarks.	**Acheived**
	Member directed investment choices within current policy guidelines.	**Achieved**
	Investigate additional investment choices.	**Achieved**
Excessive costs/expenses.	Annual budgeting.	**Achieved**
	Cost benchmarking, comparing Plan's administrative costs with costs of other DC plans.	**Achieved**
	Retaining retiring members assets in the Plan.	**Achieved**
	Increasing Plan membership.	**Deferred** -- marketing strategy to be developed in 2008
	Increasing voluntary contributions from active members.	**Achieved**

Service Providers		
Risk	**Management Strategies**	**Results**
Inadequate performance of service providers.	Annual budget setting and monitoring.	**Achieved**
	Establish performance measures and annual review.	**Achieved**
	Pension Board review performance of investment managers on quarterly basis.	**Achieved**
	Annual performance review of Plan Administrator, Investment Consultant, Actuary and Custodian.	**Deferred** -- annual review to begin in 2008
	Selection process and criteria.	**Achieved**
	Service providers to have disaster recovery plan .	**Achieved**

continued

Risk Assessment and Management

Risk Assessment and Management Performance Results (December 31)

Compliance with legislative and common-law requirements.		
Risk	**Management Strategies**	**Results**
Non-compliance with legislative requirements.	Independent investment monitoring.	**Achieved**
	Plan administrator reviews and reports legislative compliance annually.	**Achieved**
	Provincial Auditor reports to the legislature regarding audit of the Plan.	**Achieved**
	Pension Board Periodic Checklist.	**Deferred** -- Checklist is developed, with further review and implementation planned for 2008.
Failure to meet fiduciary obligations.	Review Code of Conduct and Conflict of Interest procedures.	**Achieved**
	Training and development policy for Pension Board and Plan administration staff.	**Achieved**
	Annual strategic planning and business planning process.	**Achieved**
	Plan Activity chart.	**Deferred** -- Chart is developed, with further review and implementation planned for 2008.
	Accessing professional legal advice as required.	**Achieved**

Communication		
Risk	**Management Strategies**	**Results**
Members do not understand the role of pension plan in the attainment of their retirement objectives.	Development, implementation and review of Communication policy.	**Achieved**
	Enhanced information services.	**Achieved**
	the Capital Report newsletter and web-based retirement planning tools.	**Achieved**
	Member and Employer seminars.	**Achieved**
	Employer Bulletins.	**Achieved**
Members and employers unaware of rights and obligations.	Employer Administration Guide.	**Achieved**
	Presention of information on website.	**Achieved**
	Booket and other written materials.	**Achieved**

Plan Design		
Risk	**Management Strategies**	**Results**
Failure to meet plan members' needs.	Consult with Plan members on a regular basis to determine needs.	**Achieved**
Failure to meet participating employers' needs.	Consult with Participating employers on regular basis to determine needs.	**On target** -- will meet with Plan's major participating employers during 2008.

Strategic Business Plan

Strategic Business Plan Performance Results
(December 31)

Communication	
Initiative	**Results and Comments**
Continue to review and revise, as required, the communication policy.	**Achieved**
Develop communication strategy for Variable Benefit retirement income option.	**Achieved**
Determine and budget for resource requirements.	**Achieved**
Gather and assess key information and data, including current methods, tools and channels, consultation with stakeholders and reviewing best practices among relevant entities.	**Achieved**
Seek and obtain approval for necessary legislation regarding potential additional (member choice) investment funds.	**Achieved**

Governance	
Initiative	**Results and Comments**
Review and update as required all aspects of the Governance Manual.	**Achieved**
Continue the development of Pension Board knowledge and skills.	**Achieved**
Develop and implement a Plan Activity Chart periodic checklist.	**Deferred** -- Chart is developed, with further review and implementation in 2008.

Accountability	
Initiative	**Results and Comments**
Plan and conduct dialogue with the Plan administration to establish service standards and measurement of results.	**Achieved**
Identify key performance indicators.	**Achieved**
Review and communicate Pension Board's strategic business plan.	**Achieved**
Conduct Pension Board self assessment.	**Achieved**
Complete an audit of the system changes implemented for the purposes of Variable Benefit.	**Achieved**
Establish a schedule for publishing service standards and publish initial standards.	**Achieved**

Value Added Services	
Initiative	**Results and Comments**
Develop and adopt a comprehensive Value Added Services Plan.	**Achieved**
Identify and assess options for financing value added services.	**Achieved**
Identify and assess alternative delivery strategies, including the potential role of outside resources.	**Achieved**

Responsiveness	
Initiative	**Results and Comments**
Develop policy regarding additional investment choices.	**Deferred** -- a decision was made to remain with the two current investment choices at this time. Further investigation will continue during 2008 with periodic updates to be provided to the Pension Board by Plan Administration.

Value Added Services Plan

For the Capital Pension Plan, a Value Added Services Plan is an initiative or service provided to members and/or participating employers that does not form part of the basic services that are legislatively or operationally required.

The goal of the Value Added Services Plan is to promote the strategic development and implementation of initiatives or services for Plan members and participating employers to work towards the fulfillment of the Plan's mission, vision and values.

Goal	Value Added Service	Purpose
Strong Financial Performance	Variable Benefit pension income option Unlocking voluntary contributions for active members	Attract and retain adequate value in the Plan to enact the investment policies and maintain relatively low MERs.
Effective Communication	Capital Member*WEB* Retirement Primer information sessions Web based calculators	Provide enhanced access to information and expand knowledge in preparation for retirement.
Accountability and Plan Governance	Develop key performance indicators Develop Value Added Services Plan Conduct Member Survey	Enhance monitoring and assessment of performance goals, objectives and initiatives as well as assess adequacy of current policies, procedures and practices.
Quality Service to Members and Employers	Employer electronic remittance Plan member one-on-one meetings by appointment Development of Value Added Services Plan Capital Member*WEB* Variable Benefit pension income option Conduct Member Survey	Ensure the Plan continues to meet the needs of Plan members and participating employers.

2008 and Beyond

Strategic Business Plan

In 2007, the 3-year Strategic Business Plan was reviewed. The plan for 2008, 2009 and 2010 was realigned to correspond with the performance goals of the Plan as a whole.

Strong Financial Performance		
2008	**2009**	**2010**
Investgate the use of currency hedging within the current investment funds.	Continue to review, obtain additional information and change investment strategies as required.	Continue to review, obtain additional information and change investment strategies as required.
Monitor performance of Diversified Fund and Pre-Retirement Fund based on established objectives and comparative benchmarks.	Continue to monitor performance of Diversified Fund and Pre-Retirement Fund based on the established objectives and comparative benchmarks.	Continue to monitor performance of Diversified Fund and Pre-Retirement Fund based on the established objectives and comparative benchmarks.
Investigate asset mix changes or the addition of other investment products as part of the investment strategies of the Plan.		

Effective Communication		
2008	**2009**	**2010**
Continue to review and revise, as required, the communications policy.	Continue to review and revise, as required, the communications policy and communications strategy.	Continue to review and revise, as required, the communications policy and communications strategy.
Continue to update and revise the communications strategy for Variable Benefit retirement income option.		
Gather and assess key information and data assessment of current methods, tools, channels, including consultation with stakeholders and researching best practices among relevant entities.		
Conduct the first annual assessment of progress made in implementing the revised communication policy and strategy.		
Develop a Retirement Primer Guide for members.		
Plan newsletter to provide more emphasis on preparing for retirement.		
Investigate adding a toll-free telephone number for Plan member enquiries.		
Complete the Plan member survey.		
Complete a Participating Employer survey.		

continued

2008 and Beyond

Strategic Business Plan

Accountability and Plan Governance		
2008	**2009**	**2010**
Review and update as required all aspects of the governance manual.	Conduct annual assessment of the plan governance program.	Conduct annual assessment of the plan governance program.
Continue the development of Pension Board knowledge and skills.	Re-assess the adopted service standards and performance indicators.	Re-assess the adopted service standards and performance indicators.
Complete a review of the mission, vision and values statements.	Publish results in relation to standards, performance indicators, strategic plan	Publish results in relation to standards, performance indicators, strategic plan.
Publish the results of research into key performance indicators.	Act on the results of the Pension Board self assessment.	Act on the results of the Pension Board self assessment.
Publish the progress made in the previous year in relation to the strategic business plan.	Review the strategic plan.	Review the strategic plan.
Act on the results of the Pension Board self assessment.		
Review the strategic plan.		
Investigate the offering of a Variable Benefit or similar product for other jurisdictions where legislation permits.		

Service to Members and Employers		
2008	**2009**	**2010**
Review progess in relation to the Value Added Services Plan, and make revisions as needed.	Review progress in relation to the Value Added Services Plan and make revisions as needed.	Review progress in relation to Value Added Service Plan and make revisions as needed.
Develop a Retirement Primer Guide for members.		
Identify and assess options for financing value added services.		
Identify and assess alternative delivery strategies, including the potential role of outside resources.		
Investigate feasibility of electronic data storage including the scanning of existing hard copy files.		
Continue to investigate the feasibility of offering additional investment choice for members.		
Determine impacts of offering phased retirement.		
Investigate the offering of Variable Benefit or similar product for other jurisdictions where legislation permits.		

2008 and Beyond

2008 Value Added Services Plan

Goal	Value Added Service	Purpose
Strong Financial Performance	Investigate possible addition of new investment funds within the Plan to provide for enhanced investment choice for members. Investigate possibility of offering a Variable Benefit-like option for members employed in other jurisdictions that permit.	Attract and retain adequate value in the Plan to enact the investment policies and maintain relatively low MERs.
Effective Communication	Develop Retirement Primer Guide to accompany Retirement Primer Information sessions. Review and revise communication practices based on results of Member Survey.	Provide required information and expand member knowledge regarding retirement preparation.
Accountability and Plan Governance	Conduct Participating Employer Survey	Assess adequacy of current policies, procedures and practices.
Quality Service to Members and Employers	Investigate option to provide phased retirement. Conduct Participating Employer survey.	Ensure the Plan continues to meet the needs of Plan members and participating employers.

Appendices

Service Providers

Diversified Fund Investment Managers

Greystone Capital Management Inc. (Greystone), Regina, Saskatchewan actively manages a diversified portfolio including Canadian and foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Goldman Sachs and Hansberger Global Investors to manage the non-North American equities portion of its investment mandate.

Lincluden Management Limited (Lincluden), Oakville, Ontario is a value style manager, responsible for a portion of the Fund's Canadian equity investment mandate.

State Street Global Advisors (SSgA) Toronto, Ontario is an index (i.e. passive) manager, responsible for a portion of the Fund's Canadian equity investment mandate.

Tweedy Browne Company, LLC (Tweedy) New York, New York is a value style manager, responsible for a portion of the Fund's non-North American equity investment mandate.

Pre-Retirement Fund Investment Manager

Greystone Capital Management Inc. (Greystone), Regina, Saskatchewan manages the entire portfolio for the Pre-Retirement Fund.

Retirement Annuity Fund Investment Managers

Greystone Capital Management Inc. (Greystone), Regina, Saskatchewan manages the entire portfolio for the Retirement Annuity Fund.

Asset Consultant

Hewitt Associates
Regina, Saskatchewan

Auditors

KPMG, LLP
Regina, Saskatchewan

Custodian

RBC Dexia
Calgary, Alberta

Actuary

AON Consulting Inc.
Saskatoon, Saskatchewan

Description of Comparative Measures

91-day T-bills
Canadian treasury bills represent the highest quality short-term investment available. The index is constructed by selling and repurchasing Government of Canada t-bills with an average term to maturity of 91 days.

Consumer Price Index (CPI)
CPI measures the relative prices at various times of a select group of goods and services which typify those purchased by urban families. It is used to gauge Canada's inflation rate.

DEX Long Term Bond Index
DEX (formerly Scotia Capital) Long Term Bond Index is a capitalization-weighted index containing bonds with a term to maturity of greater than 10 years. It includes approximately 350 marketable Canadian Bonds. Average term to maturity is 22 years and average duration is 12.5 years.

DEX Universe Bond Index
The DEX Index (formerly the Scotia Capital Universe Bond Index) measures the total return attributable to Canadian bonds and includes representatives by issuer (federal, provincial, municipal and corporate), quality (AAA, AA, A, and BBB) and term (short-term, mid-term and long-term).

Hewitt Manager Universe
The Hewitt Manager Universe is a database of active manager returns, using both composite and pooled fund returns. All performance data must be for active strategies and suitable/available to institutional investors.

IPD Index
The ICREIM/IPD Index is published by the Investment Property Databank Ltd. The IPD Index measures total returns on a diversified pool of over 1,700 properties, compiled from property level information from pension funds, life insurance companies and real estate managers on a quarterly basis.

MSCI EAFE Index
The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) measures the total return attributable to the largest capitalized companies on the European, Australian and Far Eastern stock exchanges.

S&P 500 Index
The S&P 500 Index measures the total return attributable to the 500 largest capitalized companies on the U.S. stock exchanges.

S&P 500 Index (Hedged)
A synthetic hedging model constructed by Northwater Capital Management Corporation. Through the use of derivative products the return of the index is hedged to Canadian dollars eliminating currency risk.

S&P 400 Index (Hedged)
The S&P 400 Index consists of 400 medium-sized companies chosen for market size, liquidity and industry group representation. The index is hedged back into Canadian dollars to mitigate currency risk.

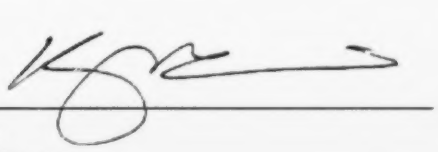
S&P/TSX Index
The index comprises approximately 71% of market capitalization for Canadian based, Toronto Stock Exchange listed companies. It is the broadest Canadian equity exchange available and serves as the premier benchmark for Canadian pension funds and mutual funds.

Management's Responsibility for Financial Reporting

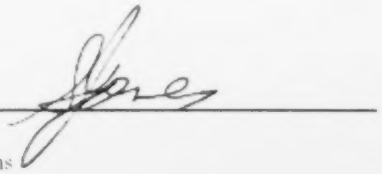
The financial statements and information contained in this 2007 Annual Report have been prepared by management of the Capital Pension and Benefits Administration and have been approved by the Pension Board. Information presented in this Annual Report that relates to the operation and financial position of the Capital Pension Plan is consistent with that in the financial statements.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the adequacy of the internal controls which ensures the reliability and integrity of the Financial Statements and other information presented in this Annual Report.

KPMG, the Plan's external auditor, provides independent audit of the financial statements. Its examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow it to report on the fairness of presentation of the financial statements prepared by management.



K.M. Klein
Executive Director
March 26, 2008



S. Jones
Director, Pensions
March 26, 2008

Financial Statements of

CAPITAL PENSION PLAN

Year ended December 31, 2007

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KPMG LLP
Chartered Accountants
McCallum Hill Centre, Tower II
1881 Scarth Street, 20th Floor
Regina Saskatchewan S4P 4K9
Canada

Telephone (306) 791-1200
Fax (306) 757-4703
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits of the Capital Pension Plan as at December 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Capital Pension Plan as at December 31, 2007 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 26, 2008

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

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CAPITAL PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2007			2006 (Restated note 5)		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Assets						
Investments (Note 4)	$ 916,722	$ 42,275	$ 958,997	$ 887,598	$ 42,154	$ 929,752
Cash	136	13	149	1,333	35	1,368
Contributions receivable	591	1	592	492	-	492
Interest and dividends receivable	2,284	301	2,585	7,423	326	7,749
Capital assets (Note 8)	573	-	573	699	-	699
Total assets	920,306	42,590	962,896	897,545	42,515	940,060
Liabilities						
Accounts payable (Note 11)	542	6,893	7,435	734	6,645	7,379
Prepaid participants' contributions	188	-	188	241	-	241
Provision for annuity benefits (Note 10)	-	24,409	24,409	-	27,058	27,058
Total liabilities	730	31,302	32,032	975	33,703	34,678
Net assets available for benefits	$ 919,576	$ 11,288	$ 930,864	$ 896,570	$ 8,812	$ 905,382

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director

Director

CAPITAL PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2007			2006 (Restated note 3)		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Increase in Assets						
Investment income (Note 5)	$ 95,619	$ 5,764	$ 101,383	$ 67,405	$ 2,496	$ 69,901
Contributions and transfers in (Note 6)	33,045	316	33,361	26,312	1,521	27,833
Net unrealized change in fair value of investments	(64,064)	(3,578)	(67,642)	40,150	415	40,565
	64,600	2,502	67,102	133,867	4,432	138,299
Decrease in Assets						
Withdrawals and transfers out (Note 7)	37,623	2,265	39,888	48,928	2,160	51,088
Increase (decrease) in provision for annuity benefits (Note 10)	-	(2,649)	(2,649)	-	462	462
Operating expenses	3,971	127	4,098	3,311	147	3,458
	41,594	(257)	41,337	52,239	2,769	55,008
Increase in net assets before the undernoted	23,006	2,759	25,765	81,628	1,663	83,291
Provision for payments to members of the fund	-	(283)	(283)	-	(480)	(480)
Increase in net assets	23,006	2,476	25,482	81,628	1,183	82,811
Net assets available for benefits, beginning of year	896,570	8,812	905,382	814,942	7,629	822,571
Net assets available for benefits, end of year	$ 919,576	$ 11,288	$ 930,864	$ 896,570	$ 8,812	$ 905,382

(see accompanying notes)

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to corporations both in the public and private sector (participants) upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of a Defined Contribution Fund (DCF) and a Retirement Annuity Fund (RAF). These Funds are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

i) Defined Contribution Fund (DCF)

The DCF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions. There are two investment options available to DCF members, the Diversified Fund (DF) and Pre-Retirement Fund (PRF). The total amount available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

The DCF holds bonds, equities, real estate, pooled funds, mortgages and short term investments. Allocation of income is based on the market value of the fund.

On May 1, 2007 the Plan implemented a Variable Benefit (VB) pension option which is available to DCF members who are eligible for retirement. This option allows for payments to be paid to members through either lump-sum withdrawals or periodic payments subject to minimum withdrawals set by the Income Tax Act. VB members' equity remains invested in the DCF.

ii) Retirement Annuity Fund (RAF)

The RAF was established to provide Plan members with the option of purchasing a life annuity upon retirement. If the member elects to purchase a life annuity from the RAF, the individual's account balance is transferred from the DCF to the RAF and a pension annuity contract is established based on current interest rates and group annuity mortality tables.

c) Crown Investments Corporation of Saskatchewan is the sponsor for the Pension Plan, and as such, is ultimately responsible for any shortfalls that may occur in RAF. The DCF has no responsibility to fund any shortfalls that may arise in the RAF.

d) Plan assets are invested separately for the DCF and RAF based on the investment objectives approved for each fund.

e) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act**.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

a) Net assets available for benefits

i) Defined Contribution Fund

This amount represents the difference between the DCF's assets and liabilities. These assets are for the exclusive use of the DCF members for providing retirement income.

ii) Retirement Annuity Fund

This amount signifies assets in excess of liabilities which is available to meet the payment obligations of current and future annuitants.

b) Valuation of investments

Plan investments are recorded at fair value and determined as follows:

i) Bonds, debentures and equities listed upon a recognized public exchange are recorded at their closing bid price on the valuation date.

Bonds, debentures and equities not traded on the valuation date are recorded at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not listed upon any exchange are recorded in the same manner as above based upon available public quotations in common use or at a price estimated to be the fair value thereof.

ii) Pooled funds are recorded based on the quoted bid price of the underlying investments.

iii) Short-term investments are recorded at cost which approximates their fair value.

iv) Mortgages are recorded at their net present value using current market based rates of return.

v) Real estate investments are recorded at fair value using an independent appraisal system that considers such factors as replacement cost and earnings results.

c) Foreign currency translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the year end date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

d) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment & software	3-5 years
Office furniture	5 years

2. Significant Accounting Policies (continued)

e) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments and provision for annuity benefits. Actual results could differ from these estimates.

3. Change in Basis of Accounting

During 2008 the Plan's management concluded that the operations of the RAF and the DCF together made up a single reporting entity. As well, RAF investments are now being carried at fair value where previously they had been carried at amortized cost. This change has been applied retroactively and has increased RAF investments and net assets available for benefits as at December 31, 2006 by $8.74 million and increased net unrealized change in fair value of investments by $0.42 million, decreased investment income by $0.19 million and increased change in assets are for the year ended December 31, 2006 by $0.22 million.

4. Investments

a) Interest rate, credit, foreign currency and market risk

The investment objectives of the Plan are to maximize retirement wealth; ensure sufficient assets exist to meet future pension obligations; and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. In order to achieve its long term investment goals, the Plan invests in a variety of domestic and foreign investments. These investments have varying levels of risk and are also subject to different types of risk.

i) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets available for benefits and changes in net assets available for benefits. The risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The Plan manages interest rate risk by investing in a well diversified portfolio of interest-sensitive asset classes and investments subject to other risks within the asset mix guidelines provided in the Plan's Statement of Policies and Goals. The DCF predominantly uses active management which provides the opportunity to mitigate or take advantage of changes in interest rates. The RAF is managed by investing in fixed income investments that provide cash flows that match payments to annuitants.

At December 31, 2007, the Plan holds approximately 53.34% (2006 – 53.89%) of its investments in equities and 46.66% (2006 – 46.11%) in fixed income securities.

ii) Market risk

The Plan invests in publicly traded equities and bonds available on both foreign and domestic exchanges. These securities are affected by market fluctuations.

The Plan controls market risk by investing in a well diversified portfolio of asset classes and investment managers. The Plan's Statement of Investment Policies and Goals defines the asset mix; investment manager structure; the investments permitted; the minimum quality requirements; and the maximum quantity restrictions.

The DCF primarily utilizes an active management investment strategy which has a bias to equities and subsequently a higher risk tolerance. However, as a balance, the DCF also invests in high quality fixed income assets. The RAF, alternatively, has a low risk tolerance and invests in high quality fixed income investments with excess assets invested in equities.

iii) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits credit risk by setting investment restrictions and quality standards within its Statement of Investment Policies and Goals. At December 31, 2007, the Plan's maximum credit risk exposure relates to bonds and short term investments totaling $402.18 million (2006 - $376.02 million).

4. Investments (continued)

iv) Foreign currency risk

The plan is exposed to currency risk through the holding of foreign equities and foreign bonds where investment values may fluctuate due to changes in foreign exchange rates. The plan manages foreign currency risk by limiting investments in foreign funds through the asset mix guidelines provided in the Plan Statement of Policies and Goals and by investing in securities that are strategically distributed over several geographic areas to limit exposure to any one foreign currency. As well, a portion of the foreign equities investments are hedged against foreign currency fluctuations. At December 31, 2007, the Plan's foreign currency exposure was $238.73 million (2006 - $238.47 million).

b) Defined Contribution Funds investments consist of the following:

	2007	2006
	(thousands of dollars)	
Bonds and debentures		
Government of Canada	$ 77,464	$ 99,189
Province of Saskatchewan	1,532	2,947
Other provincial	42,944	42,953
Municipal	2,183	1,667
Foreign	3,119	2,758
Corporate and convertible	47,782	33,252
	175,024	182,766
Pooled funds		
Canadian money market fund	8,126	6,483
Canadian fixed income fund	124,590	120,101
S&P 400 midcap index fund hedged	29,878	28,122
S&P 500 index fund hedged	64,176	62,020
Non-North American equity fund	80,498	78,099
	307,268	294,825
Short-term investments	55,010	33,374
Equities	327,177	323,959
Mortgage	537	569
Real estate	51,706	52,105
	434,430	410,007
	$ 916,722	$ 887,598

c) Retirement Annuity Fund investments consist of the following:

	2007	2006 (Restated-note 3)
	(thousands of dollars)	
Bonds and debentures		
Government of Canada	$ 10,213	$ 9,839
Province of Saskatchewan	3,163	3,249
Other provincial	17,739	19,216
Corporate	-	254
	31,115	32,558
Pooled funds		
Canadian equity funds	2,420	7,322
Non-North American equity fund	429	1,538
Canadian money market fund	6,898	-
	9,747	8,860
Short-term investments	1,413	736
	$ 42,275	$ 42,154

4. Investments (continued)

d) Bonds and debentures

The minimum quality standard for government bonds and debentures is "BBB" or equivalent as rated by a recognized bond rating agency, at the time of purchase. Corporate bonds must meet a minimum quality standard of "A", at the time of purchase. The Plan's investment policy limits the investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio, 30% for bonds and debentures issued by any one province, and 20% for foreign issuers. "BBB" holdings can not exceed 15% of the fair value of the bond portfolio.

For the DCF, fixed rate bonds have effective rates ranging between 3.80% and 6.50% and coupon rates between 3.75% and 8.75% (2006: effective rates between 2.60% and 7.00%, coupon rates between 2.75% and 9.00%). For the RAF, fixed bonds have effective rates ranging between 3.77% and 4.79% and coupon rates between 0.00% and 10.25% (2006: effective rates between 3.97% and 5.06%, coupon rates between 0.00% and 10.55%).

The fair value amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity – fair value:

	2007			2006 (Restated – note 3)		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Government of Canada						
Due in one year or less	$ -	$ 590	$ 590	$ -	$ 323	$ 323
After one through five years	61,582	2,767	64,349	65,245	2,304	67,549
After five years	15,882	6,856	22,738	33,944	7,212	41,156
Province of Saskatchewan						
After one through five years	-	1,083	1,083	-	1,134	1,134
After five years	1,532	2,080	3,612	2,947	2,115	5,062
Other provincial						
Due in one year or less	-	1,003	1,003	-	-	-
After one through five years	6,875	461	6,063	4,436	184	4,620
After five years	36,069	16,275	53,617	38,517	19,032	57,549
Municipal						
After five years	2,183	-	2,183	1,667	-	1,667
Foreign						
After one through five years	663	-	663	669	-	669
After five years	2,456	-	2,456	2,089	-	2,089
Corporate and convertible						
Due in one year or less	1,097	-	1,097	40	-	40
After one through five years	17,861	-	17,861	15,065	-	15,065
After five years	28,824	-	28,824	18,147	254	18,401
	$ 175,024	$ 31,115	$ 206,139	$ 182,766	$ 32,558	$ 215,324

e) Pooled funds

The Plan limits its investment in a single pooled fund to not more than 10% of the fair value of that individual pooled fund except for the money market fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

The Canadian money market fund investment is comprised of short-term debt securities (term to maturity of 365 days or less) such as treasury bills, promissory notes, bankers' acceptances, commercial paper, and government bonds. The effective yield rate is 4.45% (2006 – 4.33%).

4. Investments (continued)

f) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 3.90% to 4.90% (2006 – 2.90% to 4.01%). Interest is receivable at maturity. The minimum quality standard for individual short-term investments is "R-1" or equivalent rating as rated by a recognized bond rating agency, at the time of purchase.

g) Equities

The DCFs' investment policy allows no one holding to represent more than 10% of the fair value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is $184.21 million (2006 – $184.20 million) denominated in currencies other than Canadian dollars (mainly in U.S. dollars).

h) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 5.50% (2006 - 5.50%). Principal and interest are receivable on a monthly basis. The term to maturity is 9.67 years (2006 – 10.67 years).

i) Real estate

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of $1.07 million (2006 - $3.08 million) in SaskPen Properties Ltd., a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

5. Investment Income

Investment income is comprised of the following:

	2007			2006 (Restated – note 3)		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Bond and debenture interest	$ 27,224	$ 1,519	$ 28,743	$ 15,962	$ 1,523	$ 17,485
Interest on short-term investments	1,501	232	1,733	1,735	29	1,764
Interest on mortgages	24	-	24	26	-	26
Dividends	17,462	336	17,798	11,108	886	11,994
Income from real estate	6,130	-	6,130	1,944	-	1,944
Net gain (loss) on sale of bonds and debentures	(833)	439	(394)	86	58	144
Gain on sale of equities	41,026	3,238	44,264	34,255	-	34,255
Gain on sale of real estate	3,085	-	3,085	2,289	-	2,289
	$ 95,619	$ 5,764	$ 101,383	$ 67,405	$ 2,496	$ 69,901

6. Contributions and Transfers In

Contributions and transfers in are comprised of the following:

	2007			2006		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Participants' contributions	$ 14,134	$ -	$ 14,134	$ 12,906	$ -	$ 12,906
Members' contributions	12,011	-	12,011	10,790	-	10,790
Voluntary contributions	1,645	-	1,645	1,062	-	1,062
Transfers into the fund	5,571	-	5,571	3,075	-	3,075
Interfund transfers	(316)	316	-	(1,521)	1,521	-
	$ 33,045	$ 316	$ 33,361	$ 26,312	$ 1,521	$ 27,833

7. Withdrawals and Transfers Out

Withdrawals and transfers out are comprised of the following:

	2007			2006		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Withdrawals	$ 34,686	$ -	$ 34,686	$ 42,246	$ -	$ 42,246
Transfers to other pension plans	1,826	-	1,826	6,682	-	6,682
Payments to Variable Benefit Members	1,111	-	1,111	-	-	-
Payments to RAF Members	-	2,265	2,265	-	2,160	2,160
	$ 37,623	$ 2,265	$ 39,888	$ 48,928	$ 2,160	$ 51,088

8. Capital Assets

Capital assets at cost less accumulated amortization:

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(thousands of dollars)		
Computer equipment and software	$ 996	$ 429	$ 567	$ 694
Office furniture	31	25	6	5
	$ 1,027	$ 454	$ 573	$ 699

9. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2007			2006		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Participants' contributions	$ 9,328	$ -	$ 9,328	$ 8,000	$ -	$ 8,000
Investment income	83	214	297	137	214	351
Contributions receivable	174	-	174	86	-	86
Interest and dividends receivable	25	91	116	47	91	138

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

10. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at December 31 by an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, a discount rate of 5.30% (2006 – 4.70%) was used. Also, the 1994 mortality tables have been used. If the discount rate used increases by 1%, the provision for annuity benefits decreases by $1.82 million or if the discount rate used decreases by 1%, the provision for annuity benefits increases by $2.11 million. If average mortality age increases by 1.0 years the provision for annuity benefits increases by $0.82 million.

The annual change in the liability is reflected in the statement of Changes in Net Assets Available for Benefits. The principal components of the change during the year were as follows:

	2007	2006
	(thousands of dollars)	
Provision, beginning of year	$ 27,058	$ 26,596
Increase in liability due to new annuitants during year	294	1,521
Net change in liability due to gain from mortality	(102)	(25)
Expected annuity payments with interest	(2,312)	(2,124)
Interest on liabilities	1,110	1,090
Change in expense assumption	(457)	-
Change in discount rate and mortality assumptions	(1,182)	-
Provision, end of year	$ 24,409	$ 27,058

11. Accounts Payable

During the year, and based on a prior judgment ruling in favor of a former participant, management has accrued an additional estimated liability of $0.25 million for 2007 for a total amount of $6.865 million (2006 – accrued amount $0.48 million, total amount of $6.615 million) payable to other members of the Plan.

12. Investment Performance

The DCF and the RAF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals. The DCF consists of two investment options available to plan members, the Diversified Fund (DF) and Pre-Retirement Fund (PRF).

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

The following is a summary of the DCF's investment performance before operating expenses:

	2007 Return		Rolling Four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	3.33%	4.38%	9.54%	3.33%
Benchmark rate of return	2.18%	4.43%	8.90%	3.32%

The investment objective of the RAF is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

13. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments the carrying amounts approximate fair value due to their immediate or short-term maturity:

a) cash,
b) contributions receivable,
c) interest and dividends receivable, and
d) accounts payable

The fair value of investments is disclosed in note 2.

The fair value of the provision for annuity benefits cannot be readily determined, however information about the estimated provision is provided in note 10.

14. Comparative Figures

Certain comparative figures have been restated to conform to the financial statement presentation adopted in the current year.